MATTAGAMI LAKE MINES LIMITED

annual report 1975

MATTAGAMI LAKE MINES LIMITED
(No Personal Liability)

ANNUAL MEETING — Mattagami Lake Mines Limited. Le Chateau Champlain, Montreal, Quebec, on Wednesday the 14th day of April, 1976, at 11:00 o'clock in the forenoon (Montreal time).

On peut se procurer la version française de ce rapport en en faisant la demande au bureau de direction de la compagnie, B.P. 45, Commerce Court West, Toronto, Ontario M5L 1B6.

Cover:
The silvery coloured mineral shown on the polished ore surface is a new mineral found only at Matagami, and has been named Mattagamite. The average composition of the mineral is Co 10.3%, Fe 6.7%, and Te 82.4%. Both the name and data have been submitted for approval of this new mineral by the International Commission.

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

Head Office: MATAGAMI, QUEBEC

EXECUTIVE OFFICE:

4500 Commerce Court West, Toronto, Ontario

MINE OFFICES:

MATTAGAMI MINE,

Matagami, Quebec

Manager: Camille Marcoux

MATTABI MINE,

Ignace, Ontario

Manager: J. C. White

AUDITORS:

PEAT, MARWICK, MITCHELL & CO.

Toronto, Ontario

REGISTRAR AND TRANSFER AGENT:

CANADA PERMANENT TRUST COMPANY

Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal, St. John, N.B., Halifax, Charlottetown, St. John's, Nfld.

DIRECTORS:

M. W. AIRTH	Toronto
R. C. ASHENHURST	Toronto
J. M. R. CORBET	Toronto
R. G. DUTHIE	Vancouver
J. A. HALL	Toronto
N. B. KEEVIL	Vancouver
R. LETOURNEAU	Quebec
J. D. LITTLE	Vancouver
J. B. REDPATH	Toronto
W. S. ROW	Toronto

OFFICERS:

W. S. ROW	Chairman of the Board
J. A. HALL	President
R. G. DUTHIE	Vice-President
M. W. AIRTH	General Manager
R. C. ASHENHURST	Secretary and Treasurer
B. C. BONE	Assistant Treasurer
B. H. GROSE	Assistant Secretary

REPORT OF THE DIRECTORS

To the Shareholders

ECONOMIC CONDITIONS AND TAXES

Today's decisions are difficult for mining people as they ponder what can be done to maintain the non-ferrous industry as a viable one. The answers are, of course, tied to consumption but also to the increasing costs of operation and capital investment in new mines, mills, smelters and refineries. Metal prices are cyclical and, in particular, copper has been hard hit by economic conditions to the point where few Canadian mines producing only copper can remain profitable at the current world price of 54¢ per pound. It is obvious that the industry is faced with adverse factors that don't apply to most manufacturing industries, and for the health of the mining industry, governments must move quickly to further alleviate the present unreasonable tax burden.

It is encouraging to note that some governments have become concerned with the lack of exploration and development activity and the disincentive to investment in mining directly attributable to high overall levels of taxation.

Effective April 1, 1975 Quebec significantly modified the harsh impact of the 1974 increase in mining tax and provided incentives to new exploration and development in the province. The federal government has introduced a change in the method of calculating income tax, effective 1976, which will moderate the tax in some situations. Ontario so far has made no changes to its onerous system and, in particular, the graduated tax which is punitive for most mines in the province.

The effect of the Anti-Inflation Regulations on Mattagami's future earnings and dividend policy is uncertain, but metal prices and demand must recover to a considerable extent before the company's earnings will be restricted.

EARNINGS AND DIVIDENDS

In addition to heavy taxation, the worst economic slump since the 1930's seriously affected Canadian non-ferrous metal producers during 1975 and Mattagami was no exception. Consolidated net income was down to $24.4 million or $1.84 per share compared with the record earnings of $40.1 million, or $3.03 per share in 1974. The 1975 price averages on the London Metal Exchange were 38% lower for copper, 26.9% for lead and 4.9% for silver. While the United States and Canadian domestic prices for zinc had net gains of 8.19% and 7.17% respectively, in annual averages for 1975 compared with 1974, the increase in costs for production and smelting-refining tolls was considerably greater than the rise in North American prices. Further, the reduced world consumption required the stockpiling of zinc concentrate and metal, as well as a reduction in the rate of production, thus aggravating the unit cost escalation.

The quarterly dividend rate of $0.40 per share established in 1974 was paid in March and June of 1975 but was reduced to $0.25 per share for the last two quarters on Class A shares and 85% of that amount to holders of Class B shares.

On February 19, 1976 a dividend of $0.25 per share was declared on the Class A common shares payable on March 16, 1976 and $0.2125 per share on the Class B common shares.

FINANCIAL

Capital expenditures of $16.4 million included the expansion and modernization of the electrolytic zinc reduction plant, the construction of the mine plant and preproduction expenses at Lyon Lake and the equipment purchases and underground development at Mattabi. These expenditures together with the financing of heavy inventories of zinc concentrate and metal necessitated short term borrowing to cover temporary cash shortages. Net current assets decreased from $58.6 million to $56.4 million.

At the Annual Meeting, April 16, 1975 the shareholders approved the reclassification of the existing 20,000,000 common shares into Class A common and the creation of 20,000,000 Class B common shares, so that the tax deferred dividends may be paid on the Class B common shares to those shareholders who would benefit from a tax point of view. The two classes of common shares are interconvertible at any time on a share-for-share basis and no more than 20,000,000 shares of both classes, in the aggregate, may be issued at any one time.

On January 1, 1976, the company's zinc plant assets were transferred to a wholly-owned subsidiary, Mattagami Refining Inc., to facilitate the administration of the expanded electrolytic zinc plant.

OPERATIONS

Matagami Quebec Division

An austerity programme was initiated early in 1975 resulting in a reduced work force and tight control of overtime and supplies. Operating efficiencies, accident prevention and equipment availability were maintained at high levels with the underground department showing a 9% improvement over 1974, up to 42.19 tons milled per man-shift worked. Metallurgical results were the best ever attained and milling costs increased only 1.2% due to a very stable operation and reduced reagent consumption obtained through control of the flotation cir-

cuits by process computer. The computer installation cost $124,000 and the increased returns are about $52,000 on an average month. While production was reduced, some 12% below capacity to an average of 3,522 tons per day, the excellent performance kept unit operating costs to an increase of only 13% over 1974.

Lyon Lake Division, Ignace, Ontario

The installation of the permanent mining plant was completed and at year end shaft sinking had advanced to a depth of 688 feet with three level stations cut. Expenditures totalled $8.5 million. The 1976 plan is to complete the shaft sinking, ore passes, loading facilities and begin lateral development. Overall cost per ton of ore developed will be high because of the shape and location of the four lenses, each of which is estimated to contain about one million tons of ore. There are indications of a fifth deeper lens, which at this time has not had sufficient diamond drilling to include in the ore reserves.

Exploration

During 1975 $1.5 million were spent on mineral exploration in Canada. Due to the confiscatory provincial tax structure in Manitoba and Saskatchewan, exploration has been terminated in those provinces. In view of the indicated improvement in attitude towards mining and mining taxation by the new British Columbia government, it is planned to initiate an exploration programme in that province.

In addition to the outside exploration, a separate search for additional ore was carried out at Mattagami Lake and Mattabi properties, where diamond drilling for the year was 16,505 and 27,632 feet respectively. Systematic drilling on these properties has not encountered economic mineralization. The programmes at both operations are long term and the search for ore will continue at lower depths than the 1000-foot horizon from surface which is now quite thoroughly explored. Although deep exploration work is high risk and expensive, the potential for an attractive investment is evident, if additional ore can be discovered to prolong the life of the existing efficient process plants.

Electrolytic Zinc Plant

The sharp decline in demand for zinc led to voluntary cutbacks and the plant operated at 75% of pre-expansion capacity. Production for the year was 117,000 tons of zinc and 401,000 pounds of cadmium. Unit costs were 45% higher than in 1974 due to the curtailment of production, higher wages and increased costs of fuel and reagents.

Completion of the expansion project was delayed about six months because of construction labour problems. At year end, the plant was substantially complete with certain areas having been run-in and improvements in zinc extraction already obtained. The final cost of modernizing and expanding the zinc plant will be in the order of $61.0 million. Effective January 1, 1976 and pursuant to the agreement for financing the expansion, Mattagami's ownerhsip was reduced to 51.67% of the expanded plant.

St. Lawrence Fertilizers Limited

The long strike which began May 1, 1974 ended in February 1975 and by that time, the peak prices in this highly cyclical industry had passed. The company was caught between higher labour and raw material costs and declining prices which resulted in a net loss of $193,000 for the twelve months ended December 31, 1975. As the outlook is not bright for 1976, operations will cease temporarily from April 23. However, economic conditions will be evaluated periodically to determine the possibility of re-opening the plant.

General Smelting Company of Canada, Limited

The company's asset is a 40% interest in Federated Genco Limited. The outlook for secondary aluminum sales is reported encouraging but zinc dust sales remain depressed. Mattagami's share of General Smelting's 1975 earnings was $316,000.

Mattabi Mines Limited (60% interest)

Net income for 1975 was $10.8 million, compared with $24.9 million in 1974. Revenue was 36% lower than last year due to the decline in prices received for copper, gold and silver and reduced production of zinc and silver. Operating costs at $13.0 million were only 4.5% higher than in 1974. This low rate of increase was partly due to the lower tonnage milled, but the total material handled by the mine department was 97% of last year's tonnage. Provincial tax on mining income increased as a percentage of pre-tax profit.

Zinc concentrate production at 128,000 tons was 22% lower than last year and, as a result, there was no material increase in concentrate inventory at year end. Silver production declined 38% to 2,123,000 ounces. The mill rate would have been cut back further, except that the slack demand for zinc provided an opportunity to treat some of the low-grade stockpiled ore. This material was oxidized and caused a lower average recovery for zinc and lead over the year. Copper recovery improved in the last quarter. An on-stream X-ray analyser which provides analytical information for the flotation circuit has been in successful use at Mattabi since the start of production.

Control of the circuit by computer is now being incorporated into the system following Mattagami's successful installation.

Mattabi had a much improved safety record and the frequency per million manhours worked was 7.2 with five compensable accidents against a frequency of 14.2 and 16 accidents for 1974.

The development for underground mining was suspended after completing the 3500-foot access decline to the planned location of the main haulage level. The general arrangement of the crusher and conveyor installation has been finalized and detailed engineering is underway for mining work to resume this spring. The transition from open pit mining to underground mining at the lower rate of 2000 tons per day is scheduled for 1979. The current cutback in production will tend to prolong the life of the open pit.

METAL MARKETS

Demand for metals declined sharply in 1975. Producer and Commodity Exchange inventories rose rapidly as fabricators liquidated their metal inventories. Prices for most metals were lower and merchant quotations were at discounts to producer prices.

Zinc

The fall in demand for zinc was particularly sharp due to its heavy dependence on automobile sales and an extreme inventory shift back to producers. There were substantial production cuts by many Western World producers and production fell some 600,000 tons to 4.2 million. Consumption was down 1.2 million to 3.8 million tons.

While London Metal Exchange quotations were substantially reduced from the excessive premiums reached in 1974, producer quotations in the U.S.A. and Canada held at 39¢ and 37¢ respectively until January when the U.S. price was reduced to 37¢. The overseas producer quotation was adjusted in September from £360 to £390 to reflect the declining value of sterling, and subsequently in December to $795 U.S. per metric ton due to further sterling uncertainty.

There should be a modest improvement in demand during 1976, as the business recovery which has begun in the United States is expected to be experienced in Japan and Europe which should reduce producer inventories and generally firm the market.

Copper

Demand for copper declined worldwide as consumption fell 16% to 6.1 million tons and year end stocks rose 700,000 tons to 1,500,000 tons. In the fourth quarter consumption rose in the U.S.A. where there was some increase in housing starts and a sharp increase in automobile sales. However, noticeable pick up in demand in Japan and Europe will be necessary before stock accumulation on commodity exchanges reverses.

L.M.E. prices moved progressively downward in 1975 reflecting the poor demand situation and despite the sharp decline in sterling in the autumn. The December level of 51½¢ per pound was below the cost of production at many mining operations. The producer price for cathodes was 63¢ per lb. in the U.S.A. at year end and 62¾¢ in Canada.

Lead

The absence of significant new lead production combined with production cutbacks by many Western World smelters resulted in only a small accumulation of lead stocks by producers in the face of a 15% decline in consumption. Prices on the London Metal Exchange fell from 25¢ to 15¢ while in the U.S.A. they dropped to 19¢ in December and to 18½¢ in Canada.

Silver

For the first time in several years silver available from new production and secondary sources was adequate for industrial consumption. When prices rose in August, tied to a general commodity price surge, additional silver was made available from speculative holdings and hoardings which depressed prices to $3.80 per ounce in December. As general economic recovery proceeds, prices should recover and remain in the $4.00-$6.00 range.

ACKNOWLEDGEMENT

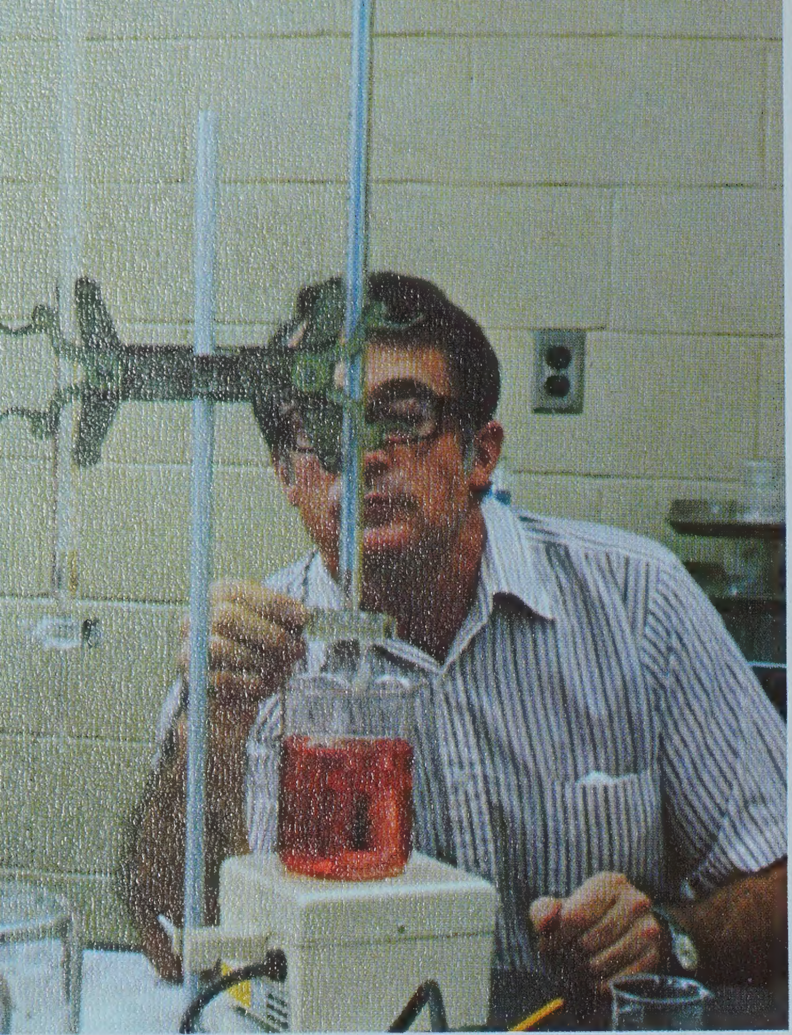
Two impressive highlights in operations for 1975 were the improved safety record at Mattabi and the very successful incorporation of the computer for flotation circuit control into the system at Mattagami. The staffs and employees at all operations are commended for excellent operating performance under difficult conditions. The Directors wish to express their appreciation to all employees for their contribution and dedication to the company.

On behalf of the Board,

John A. Hall

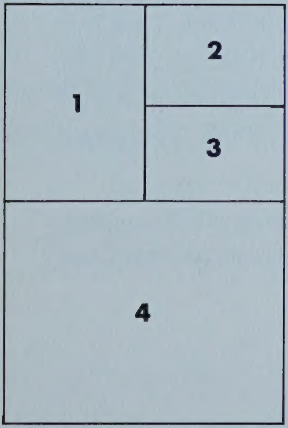
President.

Toronto, Ontario,
February 19, 1976.




YAMAZAKI MACHINERY WORKS, LTD

Aerial view of open pit at Matagami, Quebec, showing underground breaking through to open pit.



1. Peter Utans analyzes zinc-bearing sample at Mattabi Mines assay laboratory.

2. Mattabi employee Ken Bowers inspects lathe.

3. Camille Daoust examines mill computer control at Matagami, Quebec, mine.

4. Lyon Lake Division completed headframe, hoistroom and powerhouse.

REPORT OF THE GENERAL MANAGER

To the Shareholders:

The following is a report on operations at Mattagami Lake Mines Limited, Matagami, Quebec, Mattabi Mines Limited, Ignace, Ontario, as well as other developments in which the company is interested.

MATAGAMI QUEBEC DIVISION

Production		1975	1974
Ore milled	— Dry tons	1,285,703	1,406,765
Daily rate	— Tons	3,522	3,854
Calculated grade of ore milled			
Zinc	— %	7.3	7.5
Copper	— %	0.62	0.62
Silver	— Oz/ton	0.86	0.88
Gold	— Oz/ton	0.014	0.017
Zinc concentrate produced			
Short dry tons		162,237	183,559
Grade	— % Zinc	53.1	52.7
Copper concentrate produced			
Short dry tons		24,882	27,148
Grade	— % Copper	24.1	24.4
Silver	— Oz/ton	10.73	8.92
Gold	— Oz/ton	0.180	0.173

Eighty-five percent of the zinc concentrates was treated at Canadian Electrolytic Zinc, Valleyfield, Quebec 10% shipped to Quebec City for export and 5% retained on the stockpile at Matagami.

The copper concentrate was trucked to the smelter of Noranda Mines Limited at Noranda, Quebec.

Milling

The mill operating rate was reduced during the year to more nearly balance production to market requirements. Rod mill operating time was 94.5% of the possible time and production of zinc concentrates dropped to 88.5% of plan. Copper concentrate production, however, increased to 11.5% above plan.

Metallurgical results were the best attained in any year since production started due in part to more efficient control of the flotation process by computer. Increased revenue from additional net smelter returns and reduced reagent costs recovered the capital cost of the computer in a matter of months.

Metal recoveries were as follows:

	1975	1974
Zinc — %	92.4	91.3
Copper — %	75.5	75.6

Mining

Development again was mainly in the No. 1 orebody. Primary development consisted chiefly of load-haul-dump accesses, and stope development was confined to preparing individual pillars and remnant stopes.

Mining of the crown pillar was continued to allow for orderly removal of remaining pillars in the area which will be breaking through to surface.

Mill feed was drawn from both No. 1 and No. 2 orebodies with No. 2 supplying 18% of the total.

The austerity programme initiated early in 1975 resulted in a smaller work force, particularly underground. Long-hole drill footage was 21% less than 1974 but was still sufficient to meet requirements. During the year 1,018,000 tons of pillar ore were removed, of which 15% was mined from pillars between backfilled stopes.

Classified mill tailings placed undergound during the year amounted to 580,000 tons, an increase of 12% over 1974. The total backfill placed to date in 54 filled stopes and pillars and three in process amounted to 6,900,000 tons.

Ore Reserves

Proven ore reserves, calculated to mining outline, and without allowance for dilution, are as follows:

Orebody	Tons	% Zn.	% Cu.	Au. Oz/ton	Ag Oz/ton
No. 1	10,349,000	8.4	0.65	0.015	0.95
No. 2	482,000	8.9	0.65	0.015	0.95
Total	10,831,000	8.4	0.65	0.015	0.95

Ore reserves show a depletion of 1,345,000 tons after milling 1,285,000 tons and a loss of 59,250 tons left in stopes after mining was completed.

Personnel

There was a marked reduction in the labour force during the year. The average number of employees dropped to 429 compared with 449 for 1974. Turnover also showed a marked decrease and reached 2.3% per month compared with 4.2% for 1974. At year end 90% of our employees had a seniority of one year or more, compared with 64.5% for 1974.

The accident rate for 1975 increased to 9.7 compensable injuries per million manhours worked compared

with 7.8 for 1974. The comparable rate for metal mines in the province of Quebec was 23.5. The company was again awarded the John T. Ryan Trophy for low accident experience for the year 1973-74.

General

The population in the town of Matagami is presently 5,100, the increase being largely due to the influx of people involved with the James Bay Development Project. Housing accommodation is scarce but as yet no acute shortage has developed.

The collective agreement expires in June, 1977.

MATTABI MINES LIMITED, Ignace, Ontario

The mine, owned 60% by Mattagami Lake Mines and 40% by Abitibi Paper Co., is located about 50 miles north of the town of Ignace in northwestern Ontario.

Production is summarized in the following table:

Production	1975	1974
Ore milled — Dry tons	1,074,923	1,138,965
Daily tonnage — Tons	2,945	3,120
Calculated grade ore milled		
Zinc — %	7.34	8.81
Copper — %	0.97	0.91
Lead — %	0.70	0.91
Silver — Oz/ton	3.23	4.31
Gold — Oz/ton	0.007	0.01
Zinc concentrate — Tons	127,892	164,897
Zinc — %	53.69	54.43
Recovery — %	87.01	89.40
Copper concentrate — Tons	36,999	33,900
Copper — %	23.52	25.43
Recovery — %	83.18	83.00
Lead concentrate — Tons	3,939	9,428
Lead — %	50.77	46.19
Recovery — %	26.46	41.90
Silver in copper and lead concentrates — ounces	2,123,150	3,409,000
Recovery of silver — %	61.12	69.50

Zinc concentrates were shipped to Quebec City for export and to the United States. There were 7,000 tons on the stockpile at the mine at year end.

The copper concentrates were shipped to the smelter of Noranda Mines at Noranda, Quebec and lead concentrates to Quebec City for export. There was no stockpile of lead or copper at the mine site at year end.

Milling

In order to balance production of zinc concentrates more closely to sales, concentrator throughput was reduced during the year and lower grade material treated. Production of copper concentrates exceeded plan by 9,700 tons. Recovery of copper for the month of December reached a record high of 90.4%.

Mining

The total material handled from the open pit was 3,755,000 tons compared to 3,860,000 tons in 1974. Of this amount 1,136,000 tons of ore was trucked to the primary crusher, 284,200 tons of low grade ore stockpiled, and the remainder was waste rock and overburden. The waste to ore ratio was 2.65 to 1.

The development of the underground mine was suspended following completion of the access decline and the advent of cold weather. The general arrangement of the underground crusher and conveyor installation has been finalized and detailed engineering is underway.

A total of 27,632 feet of exploration diamond drilling was completed on the property without economic result. The programme is continuing.

Ore Reserves

Ore reserves were reduced by tonnage milled and adjustments to low grade material. At year end reserves totalled 9,900,000 tons grading 6.70% zinc, 0.74% copper, 0.70% lead and 2.62 ounces of silver per ton.

General

At the year end there were 291 employees on the payroll compared with 298 for the year previous. The proportion of employees with one year or more service is now 62%, and employees with two years or more amount to 42% of the work force.

Twenty-four houses were under construction at year end in the town of Ignace of which twelve were for Lyon Lake personnel. The new medical clinic was opened in October and the arena-curling complex about 50% complete at year end.

The eleven-mile access road from Highway 599 to the mine site was paved during the summer to complete the entire 50 miles from Ignace.

LYON LAKE DIVISION, Ignace, Ontario

This 69-claim property lies to the north of Sturgeon Lake Mines Limited, and about 5 miles to the east of the

Mattabi Mine. It is under active development with first production scheduled for late 1977 or early 1978.

Shaft Sinking

At year end the three-compartment shaft had reached a depth of 688 feet and three stations had been cut. The overall nature of the rock types encountered in the shaft from the point of view of fragmentation and wall control is good. The shaft is essentially dry.

Ore Reserves

Additional ore outlined by diamond drilling in early 1975 added considerably to the tonnage. Geological ore reserves stand at 4,029,500 tons averaging 6.66% zinc, 1.15% copper, 0.63% lead, 3.30 ounces silver and 0.01 ounces gold per ton.

Construction

Construction of the surface plant has been completed. Buildings on site comprise the all-steel headframe and bin house, the steel and concrete block hoistroom and power house, a pre-engineered galvanized building containing office and dry-house facilities, and a sectionalized building containing garage bays and minimum maintenance facilities.

There are 11 people engaged in maintaining the plant and in detailed planning of mining layouts.

EXPLORATION DIVISION

To serve its expanding activities in Western Canada and the Northwest Territories, the Exploration Division established a new field office in Edmonton, Alberta, and one in Thunder Bay, Ontario, to replace the office at Sturgeon Lake, which was closed.

The provinces of Ontario, Quebec and New Brunswick continued to share the largest portion of the exploration budget which was increased in 1975 to $1,500,000.

A total of 59,685 feet of diamond drilling was completed during the year.

ACKNOWLEDGMENT

I record with pleasure the hard work, loyalty and full co-operation received from Mr. Camille Marcoux, Manager of Mattagami Lake Mines and his staff and employees, Mr. John C. White, Manager, his staff and employees of Mattabi Mines, and Mr. John D. Harvey, Manager of Exploration and his staff. I record also the ever-present support and guidance received from the officers and Board of Directors of the Company throughout the year.

Respectfully submitted,

MURRAY W. AIRTH, P.Eng.,
General Manager.

Toronto, Ontario,
February 19, 1976.

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET INCOME AND RETAINED EARNINGS
Year ended December 31, 1975
with comparative figures for 1974

	1975	1974
	(in thousands)	
Revenue from production	$ 107,945	132,146
Expense:		
Costs of production	44,746	36,338
Administration and corporate	937	839
Exploration	1,489	1,244
Depreciation	5,872	6,958
Amortization	1,233	1,830
Interest	657	980
	54,934	48,189
Net operating income	53,011	83,957
Investment and other income	1,920	3,465
	54,931	87,422
Income and mining taxes:		
Current	22,760	36,731
Deferred	3,375	150
	26,135	36,881
	28,796	50,541
Minority interest in net income of subsidiaries	4,417	10,432
Net income for the year	24,379	40,109
Retained earnings at beginning of year	87,771	64,546
	112,150	104,655
Dividends	17,216	16,884
Retained earnings at end of year	$ 94,934	87,771
Earnings per share	$1.84	3.03

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)
AND SUBSIDIARIES

CONSOLIDATED BALANC

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ASSETS

	1975	1974
	(in thousands)	
Current assets:		
Cash and short-term investments	$ 963	28,495
Marketable securities, at cost (market value $5,344; 1974 — $4,818)	5,415	5,415
Accounts and settlements receivable	15,554	11,250
Mine products	64,306	43,979
Materials, supplies and prepaid expenses	5,340	4,453
	91,578	93,592
Fixed assets:		
Property, plant and equipment, at cost	91,484	89,356
Less accumulated depreciation	52,928	47,184
	38,556	42,172
Plant under construction, at cost	17,691	10,998
Mining property and rights, at cost	5,368	5,368
	61,615	58,538
Other assets:		
Investments	2,983	2,819
Preproduction and deferred development expenditures	12,563	6,343
Other	2,403	2,358
	17,949	11,520
	$ 171,142	163,650

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

IEET – DECEMBER 31, 1975

res for 1974

LIABILITIES

	1975	1974
	(in thousands)	
Current liabilities:		
Bank loans and acceptances	$ 16,522	–
Accounts payable and accrued liabilities	8,150	7,507
Income and mining taxes	10,304	27,304
Current portion of long-term debt	154	127
	35,130	34,938
Long-term debt:		
6% Bonds, maturing 1980	1,200	1,400
6½% Debentures, maturing 1980	800	975
	2,000	2,375
Minority interest in subsidiaries	23,814	26,676
Deferred income and mining taxes	6,856	3,482
Shareholders' equity:		
Capital stock (note 1)	6,621	6,621
Contributed surplus (note 1)	1,787	1,787
	8,408	8,408
Retained earnings	94,934	87,771
	103,342	96,179
Commitments (note 2)		
	$ 171,142	163,650

On behalf of the Board:

W. S. ROW, Director
J. A. HALL, Director

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1975

with comparative figures for 1974

	1975	1974
	(in thousands)	
Working capital at beginning of year	$58,654	57,827
Funds provided:		
From operations:		
Net income for the year	24,379	40,109
Minority interest in net income of subsidiaries	4,417	10,432
Charges not requiring funds:		
Depreciation and amortization	7,105	8,788
Deferred income and mining tax	3,375	150
	39,276	59,479
Issue of capital stock	—	6
Total funds provided	39,276	59,485
Used as follows:		
Repayment of bank loans	—	25,300
Property, plant and equipment, net	8,950	11,544
Dividends	17,216	16,884
Minority interest in dividends of subsidiaries	7,279	2,062
Preproduction and deferred development expenditures	7,453	2,098
Increase in investments	164	45
Other, net	420	725
Total funds used	41,482	58,658
Net (decrease) increase	(2,206)	827
Working capital at end of year	$56,448	58,654

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 1975

Basis of Financial Statement Presentation:

The accompanying consolidated financial statements include the accounts of Mattagami Lake Mines Limited and all its subsidiaries of which the principal operating ones are Mattabi Mines Limited, St. Lawrence Fertilizers Limited, and General Smelting Company of Canada Limited.

Inventories:

Mine products are valued at estimated net realizable value. Materials and supplies are valued at the lower of cost and estimated net realizable value.

Depreciation and Amortization:

Property, plant and equipment are being depreciated using a straight line method based on the estimated physical and economic lives of the assets.

Preproduction and development expenditures are deferred until the assets are utilized in production and are then amortized on a straight line basis over an appropriate period.

Mining property and rights are not amortized.

Exploration Expenditures:

Exploration expenditures are charged against current income unless they relate to properties from which production is reasonably certain, in which case, expenditures are capitalized as preproduction and deferred development.

Investments:

General Smelting has an investment which is accounted for on the equity basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1975

1. Capital Stock:

During 1975 the Company reclassified the 20,000,000 authorized common shares without par value as 20,000,000 Class A common shares without par value and created an additional 20,000,000 Class B common shares without par value. Shares of each class may be converted into shares of the other class at any time at the option of the holder. However, the combined issued and outstanding shares of both classes may not exceed 20,000,000. Class B shareholders are entitled to receive, when declared by the board of directors, dividends out of either tax-paid undistributed surplus on hand or 1971 capital surplus on hand, as defined in the Income Tax Acts. In all other respects Class A and Class B shares rank equally.

Shares issued and outstanding at December 31, 1975 are as follows:

Class A	13,006,523
Class B	235,677
	13,242,200

At December 31, 1975, options on 21,800 shares were outstanding under the Company's Stock Option Plan at prices varying from \$13.17 to \$17.31 for periods up to 1982. No options were exercised during 1975.

2. Commitments:

Estimated capital expenditures approximate \$10,000,000 within the next year and \$24,000,000 within the next two years.

3. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid to directors and senior officers during 1975 was approximately \$184,000 (1974 – \$162,000).

4. Anti-Inflation Legislation:

The Company is subject to the Anti-Inflation Act and Regulations which became effective on October 14, 1975. As a result the Company's ability to increase prices, profit margins, compensation and to pay dividends subsequent to this date is restricted.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Mattagami Lake Mines Limited (No Personal Liability) and subsidiaries as of December 31, 1975 and the consolidated statements of net income and retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of Mattagami Lake Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and subsidiaries as of December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Toronto, Ontario
February 10, 1976

Chartered Accountants

Printed in Canada.